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TO RUEHC/SECSTATE WASHDC IMMEDIATE 8178
INFO RUEHKK/ARAB ISRAELI COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEHBS/USEU BRUSSELS PRIORITY

C O N F I D E N T I A L JERUSALEM 001321

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NEA FOR FRONT OFFICE; NEA/IPA FOR
WILLIAMS/SHAMPAINE/BELGRADE; NSC FOR ABRAMS/WATERS;
TREASURY FOR SZUBIN/LOEFFLER/NUGENT/HIRSON

E.O. 12958: DECL: 06/27/2017

TAGS: [ECON](#) [EFIN](#) [KWBG](#) [KTFN](#) [IS](#)

SUBJECT: GAZA CASH SHORTAGE MAY PREVENT PA SALARY PAYMENTS

REF: JERUSALEM 1276

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d).

¶1. (C) Summary: Banks in Gaza do not have sufficient cash to pay Palestinian Authority (PA) employee salaries next week, and Israeli authorities are preventing cash transfers through the Erez crossing, according to bank officials. Cairo Amman Bank should begin paying UNRWA salaries in two days, but lacks sufficient cash to do so. End summary.

¶2. (C) Palestinian Monetary Authority (PMA) Deputy Governor Jihad al-Wazir told Econoff June 26 that there is currently insufficient liquidity in the Gaza banking sector (reftel) to pay PA salaries early next week. Wazir said that Gaza banks have about NIS 77 million, but need a total of about NIS 250 million to pay full PA salaries for June. An infusion of cash will be needed 2-3 days before payments can be made. Several Gaza banks have attempted to transfer funds in recent days, but the IDF has refused to issue permits for the Israeli cash transfer company to enter the Erez crossing, according to Wazir. With the formation of the new government, PA employees are now expecting full payment of June salaries. Wazir said that Prime Minister Fayyad intends to pay salaries in full but has not formally committed to do so in the absence of an Israeli transfer of frozen clearance revenues. At this time, however, banks in Gaza do not have sufficient cash for even substantial partial payments.

¶3. (C) Bank of Palestine (BP) Regional Manager Hani Naser confirmed to Econoff June 26 that BP has been unable to transfer cash to its Gaza branches due the IDF's refusal to issue the necessary permits. Naser said BP branches in Gaza hold about NIS 31 million but need an additional NIS 50 million if PA salaries are to be paid. Naser said the BP has appealed to Prime Minister Fayyad to help secure cash transfers to Gaza.

¶4. (C) Cairo Amman Bank (CAB) Regional manager Joseph Nesnas told Econoff June 26 that CAB branches in Gaza also lack sufficient cash to pay PA salaries next week. Nesnas said that a more immediate problem is that CAB, Arab Bank and the Bank of Palestine are all due to start paying UNRWA employee salaries in the next two days, but CAB also lacks cash for this disbursement. He said no cash has been transferred to Gaza from Israel since Hamas took over.

¶5. (C) Wazir said he is worried about the impact on the Gazan population if, due to a liquidity crisis, PA employees there are denied their salaries while those residing in the West Bank receive the full amount due them. Such an outcome, Wazir continued, could undermine the PA's legitimacy as the

one government for both the West Bank and Gaza.
WALLES